

Economic Intelligence Memorandum

THE FRENCH ECONOMIC STAKE  
IN SOUTH VIETNAM, CAMBODIA, AND LAOS



CIA/RR EM 64-15

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CENTRAL INTELLIGENCE AGENCY  
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THE FRENCH ECONOMIC STAKE  
IN SOUTH VIETNAM, CAMBODIA, AND LAOS\*

Summary and Conclusions

Although French financial interests and commercial holdings in the former states of Indochina are declining, they continue to be significant in the economies of South Vietnam, Cambodia, and Laos. French concerns operate most of the rubber plantations in the area as well as plantations for other tropical products, and they control many of the commercial outlets, manufacturing plants, banks, and transport facilities. France is an important trading partner and has provided important economic and technical assistance. In Cambodia, French military assistance continues. The French community in the three states numbers about 20,000 people, providing valuable business and managerial skills, professional assistance in medicine and education, and technical assistance in the development of agriculture and the economic infrastructure.

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\* The estimates and conclusions in this memorandum represent the best judgment of this Office as of 1 June 1964.

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I. South Vietnam

Extensive French commercial holdings in South Vietnam include rubber and tea plantations, three of the country's largest banks, numerous export-import houses, and a number of light industrial installations. The French also hold air transport facilities, marine insurance firms, and commercial shipping interests. In addition, French organizations operate a hospital, other medical facilities, and a number of educational facilities.

The most important French commercial holdings in South Vietnam are rubber plantations covering nearly 180,000 acres. These plantations, which produce 88 percent of South Vietnam's rubber, employ about 150 French managers and technicians. Total exports of rubber have an annual value of more than US \$30 million. 1/\* The most important French firms operating rubber plantations in South Vietnam are the following:

1. Plantations Terres-Rouges, with plantation sites in Binh Long and Bien Hoa Provinces. The planted area\*\* in 1961 was 45,000 acres, and production was approximately 18,000 tons.\*\*\* The headquarters is in Djibouti, French Somaliland.

2. Société Indochinoise de Plantations d'Hévéas, with plantation sites in Bien Hoa, Phouc Tuy, and Tay Ninh Provinces. The planted area in 1961 was 35,000 acres, and production was approximately 16,000 tons. The headquarters is in Noumea, New Caledonia.

3. Société des Caoutchoucs d'Extrême-Orient, which controls the Société des Caoutchoucs de l'Indochine, Société Indochinoise des Cultures Tropicales, and Cie Française de Cultures et de Participations, operating plantation sites in Phouc Long and Binh Long Provinces. The total planted area in 1961 was 37,000 acres, and production was approximately 13,000 tons. The headquarters is in Noumea, New Caledonia.

4. Société des Plantations et Pneumatiques Michelin au Vietnam, with plantation sites in Binh Duong Province. The planted area in 1961 was 24,000 acres, and production was approximately 10,000 tons. The headquarters is in Saigon.

5. Société des Hévéas de Tay Ninh, with plantation sites in Tay Ninh Province. The planted area in 1961 was 8,700 acres, and production was approximately 2,000 tons. The headquarters is in Paris.

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\*\* The term planted area as used throughout this memorandum refers only to the land on which there are new or producing plants.

\*\*\* Tonnages are given in metric tons throughout this memorandum.

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Light industrial facilities owned by the French make up an important part of the industrial sector in South Vietnam. Several of the larger enterprises were constructed and are operating under joint French-Vietnamese ownership. French interest under such an arrangement is restricted to 49 percent. 2/ Among the more significant installations are the following 3/:

1. Brasseries et Glacières de l'Indochine (BGI), which has a brewery with a capacity of 700,000 hectoliters per year and also produces carbonated beverages and ice.
2. Société des Eaux Gazeuses d'Indochine, which produces mineral water, syrups, and similar products.
3. Cong Ty Soi Dai Vietnam (Société Vietnamienne du Jute), which produces gunny bags and other products of jute.
4. Manufacture Indochinoise de Tabacs et Cigarettes (MITAC), Manufactures Indochinoises de Cigarettes (MIC), and Société Indochinoise de Tabacs (J. Bastos). MIC, the largest of the three, produced 8 million packages of cigarettes per month in 1962.
5. Société de Représentations et d'Exploitations Industrielles en Extrême-Orient, which has 49 percent ownership in Cong Ty Duong Vietnam, a sugar refinery.
6. Cong Ty Thuy Tinh Vietnam, which is a manufacturer of soft drink, beer, and wine bottles. Forty-nine percent is owned by the French.
7. Roussel Vietnam and Specia Vietnam, both of which are pharmaceutical laboratories. Forty-nine percent is owned by the French.
8. Société des Plantations et Pneumatiques Michelin au Vietnam, which operates rubber plantations and owns the Michelin Tire Company. The tire company began producing bicycle tires and tubes in March 1963.
9. Société Française des Distilleries de l'Indochine, which operates rice mills and distilleries. The main plants are in Cho Lon.

The French-owned commercial banks, among the largest in the country, are Banque Française d'Asia, Banque Franco-Chinoise pour le Commerce et l'Industrie, Banque Nationale pour le Commerce et l'Industrie. Transport interests include operational facilities for Union des Transports Aériens (formerly Transports Aériens Internationaux), controlled by Air France, and for French shipping firms Messageries Maritimes and Chargeurs Réunis. 4/ In addition, the French have played a significant role in the commodity trade of South Vietnam through ownership of

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numerous export-import houses. Alcan-Saigon S.A., an exporter of rubber, Denis Frères, and Établissements A.M. Frey, traders in a variety of products, are among the larger French trading enterprises.

French investment in medical and educational facilities includes the Hôpital Grall in Saigon (15 doctors and 410 other employees, some of whom are Vietnamese) and seven primary and secondary schools (four in Saigon, one in Dalat, one in Nha Trang, and one in Tourane) with a total of 420 teachers. The French government also supports 47 university professors and 19 teachers detailed to Vietnamese schools and universities. Vietnam utilizes French technical skills through the employment of 100 to 200 French managers and technicians who work in Vietnamese and Chinese commercial establishments in the country. 5/

Economic retaliation by South Vietnam because of the French position on neutrality for South Vietnam threatens French business interests. In January 1964, South Vietnam stopped granting licenses for the importation of most French goods and further announced that French import houses would lose their existing licenses for the greater part of their trade. 6/ Exceptions have been made to these restrictive sanctions since January, but it appears that South Vietnam fully intends to carry out its policy of gradually eliminating all French-controlled import interests within the country. 7/ Support for the government moves has been expressed widely among Vietnamese and Chinese business communities hoping to gain import quotas and licenses from the French. The government also has considered nationalizing French rubber plantations and withdrawing operating permission from Air France and the three French banks in Saigon. 8/

Although trade between France and South Vietnam has declined by nearly one-third since 1960, approximately 35 percent of South Vietnam's exports go to France, and France supplies about 13 percent of Vietnamese imports. French trade with South Vietnam, by major commodity, is shown in Table 1.\* In 1963, France purchased about 55 percent of Vietnamese rubber (about 38,000 tons), the main export commodity. 9/ Limited quantities of rice and tea also are sold to the French market. In 1963, French exports to South Vietnam declined to US \$26 million from the level in 1962 of more than \$30 million. 10/ Imports from France in 1963 included machinery, motor vehicles, pharmaceuticals, tires, paper, yarn, and various metal goods and scientific instruments.

French economic assistance has included grants of US \$50.2 million, loans of \$14.0 million for the An Hoa industrial complex, and export credit guarantees of \$32.0 million. 11/ A recent offer by the French government of \$12.2 million to provide further financing for the An Hoa

\* P. 6, below.

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project has been held in abeyance because of strained diplomatic relations between France and the government of South Vietnam. 12/

Table 1

Value of French Trade with South Vietnam, by Major Commodity  
1960 - September 1963

	Million US \$			
	1960 <u>a/</u>	1961 <u>b/</u>	1962 <u>c/</u>	1963 <u>d/</u>
Total exports to South Vietnam	<u>45.1</u>	<u>33.6</u>	<u>31.8</u>	<u>26.2</u>
Chemicals	3.2	1.1	0.4	0.3
Iron and steel	4.1	3.0	1.3	0.9
Machinery, electrical	3.2	2.4	3.0	2.7
Machinery, nonelectrical	4.5	3.5	7.6	6.0
Motor vehicles	2.9	2.4	3.5	3.0
Pharmaceuticals	5.1	3.2	2.0	1.7
Rubber products, manufactured	3.2	2.5	1.9	1.7
Textiles	6.3	2.8	1.7	1.2
Other	12.6	12.7	10.4	8.7
Total imports from South Vietnam	<u>34.5</u>	<u>26.5</u>	<u>22.8</u>	<u>21.1</u>
Rice	1.0	0.1	0.4	0.3
Rubber, crude	32.8	26.0	21.7	20.3
Tea	0.1	<u>e/</u>	0.1	0.1
Other	0.6	0.4	0.6	0.4

a. 13/b. 14/c. 15/d. 16/

e. Data are not available in UN statistics.

## II. Cambodia

Since the sudden renunciation of US aid, France is the most important Western influence on the economy of Cambodia. French investments in Cambodia have been declining in recent years because of Cambodia's policy of encouraging domestic ownership of the country's financial, commercial, and industrial enterprises. Moreover, refusal of the Cambodian government to recognize the devaluation in 1958 of the French franc has curtailed recent French private investment and government



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loans to Cambodia. At present, the most important French holdings in Cambodia are the rubber plantations that produce most of Cambodia's rubber -- about 40,000 tons a year, making one-third of the value of annual exports. 17/ Other French interests include three of the six remaining private commercial banks, a small automobile assembly and repair facility, a brewery and distillery, and other small manufacturing facilities.

French-owned rubber plantations hold concessions in Cambodia estimated at 134,000 acres, on which rubber plantings now cover about 100,000 acres. The planted acreage of French plantations represents more than 90 percent of Cambodia's total plantings, although concessions held by the French are only about 82 percent of total concessions. There are six French firms operating nine major French plantations 18/:

1. Société des Plantations Réunies de Mimot. The plantation area\* in 1961 was 22,000 acres, and production was approximately 8,000 tons. The headquarters is in Djibouti, French Somaliland.
2. Cie du Cambodge, with plantation sites at Chup, Peam Chang, and Krek. The planted area in 1961 was 47,450 acres, and production was approximately 18,000 tons in 1960. The headquarters is in Paris.
3. Société des Plantations de Kratié, with a plantation site in Kratié Province. The plantation area in 1961 was 10,580 acres, and production was approximately 3,700 tons. The headquarters is in Djibouti, French Somaliland.
4. Société des Caoutchoucs de Kompong Thom, with two plantation sites in Kompong Thom Province. Production in 1960 was approximately 3,000 tons. The headquarters is in Noumea, New Caledonia.
5. Cie des Caoutchoucs du Mékong, with a plantation site at Prek Kak in Kompong Cham Province. The plantation area in 1961 was 14,825 acres, and production was approximately 4,300 tons. The headquarters is in Paris.
6. Société Plantation Cambodgienne de Cultures Tropicales, a joint Cambodian (60 percent) and French (40 percent) company. The plantation area in 1961 was 3,950 acres. Plantings include coffee and oil palms as well as rubber.

The three French-owned commercial banks operating in Cambodia are the Banque de l'Indochine, the Banque Franco-Chinoise pour le Commerce et l'Industrie, and the Banque Nationale pour le Commerce et l'Industrie. 19/

\* The term plantation area as used throughout this memorandum refers not only to the planted area but also to land not under cultivation.

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All three banks operate offices in Phnom Penh. In addition, the Banque Franco-Chinoise operates branches in Battambang and Kompong Cham, and the Banque Nationale pour le Commerce et l'Industrie operates a branch in Sihanoukville. Operations by the French banks have been diminishing since November 1963 because of the threat of nationalization of all banking in Cambodia, now scheduled to become effective on 1 July 1964.

About 15 French import-export firms have been operating in Phnom Penh. Since 1 March 1964, when the country's import-export business became a state monopoly, the French firms have been required to operate only as retail outlets, technical representatives, or service and maintenance facilities.

The Cambodian national airline, Royal Air Cambodge, is owned jointly by Air France (40 percent), the Cambodian government (40 percent), and private interests (20 percent). The French firm Société Commerciale Khmère is the agent in Cambodia for Air France and for Union des Transports Aériens.

Industrial installations owned by French firms in Cambodia are few in number but are relatively important to the limited industrial sector in the country. In many instances, ownership is a combination of French interests, the Cambodian government, and Cambodian private interests. Although guarantees against nationalization are now being offered to encourage joint foreign ventures in Cambodian industry and agriculture, the degree of participation in industry by the Cambodian government has continued to increase. The following enterprises are the principal French industrial holdings in Cambodia 20/:

1. Société Khmère d'Oxygene et d'Acetylene, which is jointly owned by the Cambodian government (51 percent) and the French firm L'Air Liquide.
2. Société Khmère d'Industrie Chimique, which is partly French-owned. It is licensed to package Squibb pharmaceuticals.
3. A small assembly and repair facility that is operated by Citroen and is partly owned by Cambodian nationals.
4. Société de Représentations, d'Études et de Constructions du Cambodge, which is largely French-owned. It imports and fabricates cast structural metal parts and machine-milled parts.
5. Société Khmère des Distilleries, which is owned jointly by French interests (20 percent) and the Cambodian government. French interests are to be divested by 1965.
6. Manufactures de Cigarettes du Cambodge.

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7. Brewery and carbonated beverage plants owned partly by Brasseries et Glacières de l'Indochine of Saigon.

France is Cambodia's main trading partner, taking one-fourth of its exports and supplying one-fifth of its imports. Nevertheless, the level of imports from France decreased about 30 percent between 1960 and 1963. The decline is partly the result of a controversy between the French and Cambodian governments over the devaluations of the franc in 1957 and 1958, which the Cambodian government refuses to recognize. Cambodia maintains a rate of exchange of 10 riels to 1 new franc, which is equivalent to the official rate before the devaluations. This results in overvaluation of the riel and in higher prices to Cambodian importers for French products. French trade with Cambodia was a little more than US \$10 million each way in 1962. <sup>21/</sup> French exports in order of importance are pharmaceuticals, motor vehicles, nonelectrical machinery, iron and steel products, and electrical equipment. France imports Cambodian rubber, rice, and pepper. The value of French trade with Cambodia, by major commodity, is shown in Table 2.\*

Economic assistance by the French government has provided for economic development, cultural and technical training facilities, and military training. Total French aid since 1954 is estimated at US \$25 million to \$30 million, of which \$15 million has been in the form of grants. French aid ranks third in total value behind the US (about \$365 million) and Communist China (about \$50 million). Past military assistance consisted only of training and advisory missions, but since the US withdrawal the French have begun to supply a number of military aircraft and vehicles with an estimated value of \$6 million.

### III. Laos

The most important French commercial holdings in Laos are the tin mines near Phong Tiou. These mines have assets (including untapped reserves) estimated to be in excess of US \$2 million, but annual production of tin ores is at a level of only about 700 tons. The French also carry on limited commercial, industrial, and financial activities. The French-controlled Banque de l'Indochine maintains banking offices in Vientiane and Pakse.

Although a number of international French firms have agents in Vientiane, French commercial holdings in Laos are centered on two companies. The larger of the two, the import firm Cie Générale de Commerce Lao is associated with the international French company L. Rondon et Cie, Ltd. Compagnie Industrielle et Commerciale du Laos also is an import house. The Paris firm Société d'Etudes et d'Exploitations Minières de l'Indochine currently operates the tin mines at

\* P. 10, below.

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Table 2

Value of French Trade with Cambodia, by Major Commodity  
1960 - September 1963

	Million US \$			
	1960 <u>a/</u>	1961 <u>b/</u>	1962 <u>c/</u>	1963 <u>d/</u>
Total exports to Cambodia	<u>16.6</u>	<u>13.3</u>	<u>12.3</u>	<u>11.7</u>
Beverages, alcoholic	0.5	0.4	0.6	0.6
Iron and steel	1.7	0.9	0.7	0.2
Machinery, electrical	1.1	0.7	0.5	0.1
Machinery, nonelectrical	0.9	1.1	0.8	0.6
Motor vehicles	1.5	1.6	1.0	1.6
Pharmaceuticals	2.0	2.1	3.0	3.1
Rubber products, manufactured	1.3	0.7	0.7	0.7
Textiles	0.8	0.2	0.3	0.1
Other	6.9	5.6	4.7	4.7
Total imports from Cambodia	<u>11.6</u>	<u>10.5</u>	<u>10.7</u>	<u>10.0</u>
Rice	4.2	3.7	3.8	3.1
Rubber, crude	5.2	4.9	5.3	6.0
Spices (pepper)	1.9	1.4	1.3	0.6
Other	0.3	0.5	0.3	0.3

a. 22/b. 23/c. 24/d. 25/

Phong Tiou and has been the moving force behind this activity since 1923. 26/ The French business community in Laos has been the subject of increasing criticism by members of the Laotian revolutionary committee because of alleged French opposition to the committee's policies. Conflict between the French and the revolutionary committee would indicate a possible future decline of French influence within Laos.

French exports to Laos remain at the low annual level of approximately US \$1.5 million. Alcoholic beverages, amounting to a little more than \$200,000 annually, are the main French export to Laos. Vehicles, pharmaceuticals, and electrical machinery make up the bulk of the remainder. 27/ Because the import trade of Laos is unlikely to develop significantly in the future, the Laotian market probably will remain relatively unattractive for French exporters. Laotian exports to France are insignificant.

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French economic assistance has declined with the increasing political and military instability in Laos. Since 1955, French economic and military aid has amounted to approximately US \$30 million to \$35 million, but grants are now provided at an annual rate of \$2 million. The French aid program has included project assistance, feasibility studies, economic and technical assistance, and a recent contribution of \$1.7 million to a currency stabilization fund. The French cultural mission provides 300 teachers for a secondary school in Vientiane and for other Laotian schools in the provinces. There are more than 2,500 French residents in Laos, mostly in Vientiane.

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